

# THE CHANGING HEALTH INSURANCE LANDSCAPE

HOW DEVELOPMENT AND SYNTHESIS OF DATA INFORMS OF RECENT SHIFTS, MOST NOTABLY  
GOVERNMENT BUSINESS MIX, COMMERCIAL FUNDING MIX AND PRESSURE ON PROFIT POOLS

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# DISCLAIMER

Opinions represented in the content and themes contained within the presentation are my own. Content is developed and supported by publicly available data and constructed and visualized to represent the framework of competitive intelligence and strategic reference - and reflects a broad view of the markets and competitive dynamics; which can and do vary from market to market.

*Our Industry is  
complicated  
and laden  
with jargon*



*In order to analyze something as simple as counting medical lives - it requires parsing out disparate and often large data sets . . .*

- ✓ Funding
- ✓ Fully Insured
- ✓ Level-Funding
- ✓ Government
- ✓ Public
- ✓ Dual Eligible
- ✓ Title XVIII
- ✓ CHIP
- ✓ Trusts/MEWA
- ✓ Etc., etc., etc.



Surveys



Media / Press



*. . . and from a market intelligence perspective we rely on surveys, government sources and publicly reported data to support our view of competitors and the competitive environment*



White  
Papers

Market  
Analysis



Securities and  
Exchange  
Commission



Core statutory filings, supplements, survey instruments and market knowledge via press/company releases aid in developing emerging trends to support strategy

### *Recent Examples*

#### Continuing Shift in Commercial Funding Mix

- Self-Insured mix continues to increase
- Increased opacity in understanding competitor positions due to less regulated products
- Reliance on surveys and less on SEC/NAIC data to support competitive positions

#### Contracting Fully Insured Group Markets and Profit Pools

- Self-insured (ASO) and level-funding popularity are aiding in a contracting market
- Association Health Plans (AHP) artificially contract SG while those that are self-insured impact the FI ESI
- Competition and higher SG&A are lowering UW gains in the markets

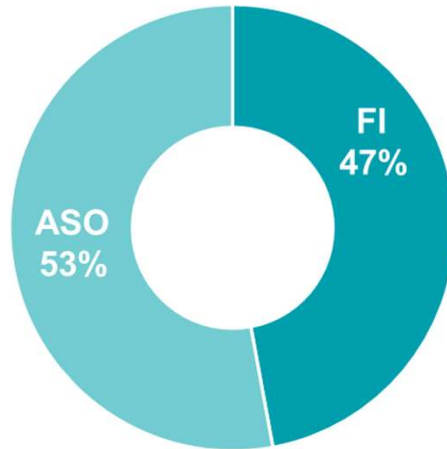
#### The Rapid Increase of Government Business

- The top MCOs have seen an increase in Medicare and Medicaid business as states expand eligibility
- Medicare remains a growth market and 2021 has been a record year
- Medicaid expansion remains possible in many states

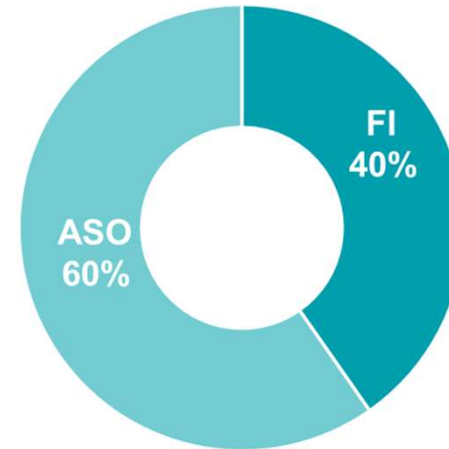


In the past decade, commercial ASO mix has increased as employers search for lower cost plans; an alternative for savvier employers to choose outside of benefit buy-downs

2010 Commercial Funding Mix



2019 Commercial Funding Mix



With modest changes in the total commercial lives since 2010, approximately 12M covered lives have converted to self-insured plans over that time

With the increasing desire of employers to adopt self-insured plans, competitors developed down-market products and services to compete for that space

~12M FI members have converted to self-insured since 2010

New group members add to the opaque and difficult to measure, self-insured market



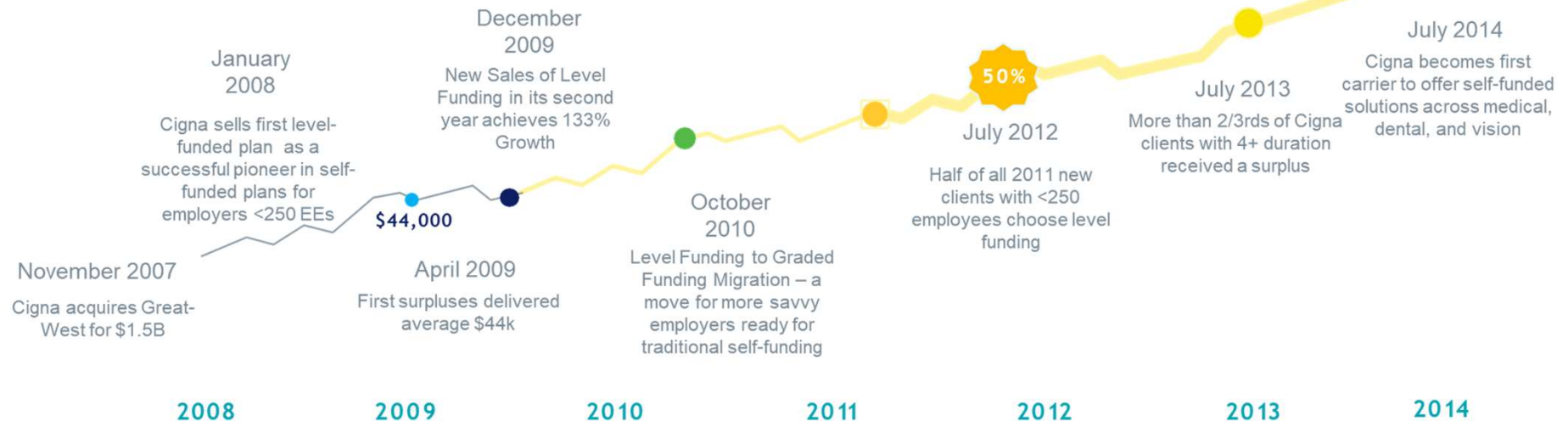
Determining true number of medical members tied to self insured policies is difficult to measure; and that figure is likely growing; making accurate membership sizing more opaque

*Black Box*

## Cigna's acquisition of Great-West lead the transformation of level-funding

**Level Funding** combines financial predictability and the control and information you want, with an opportunity to benefit from a favorable claim's year

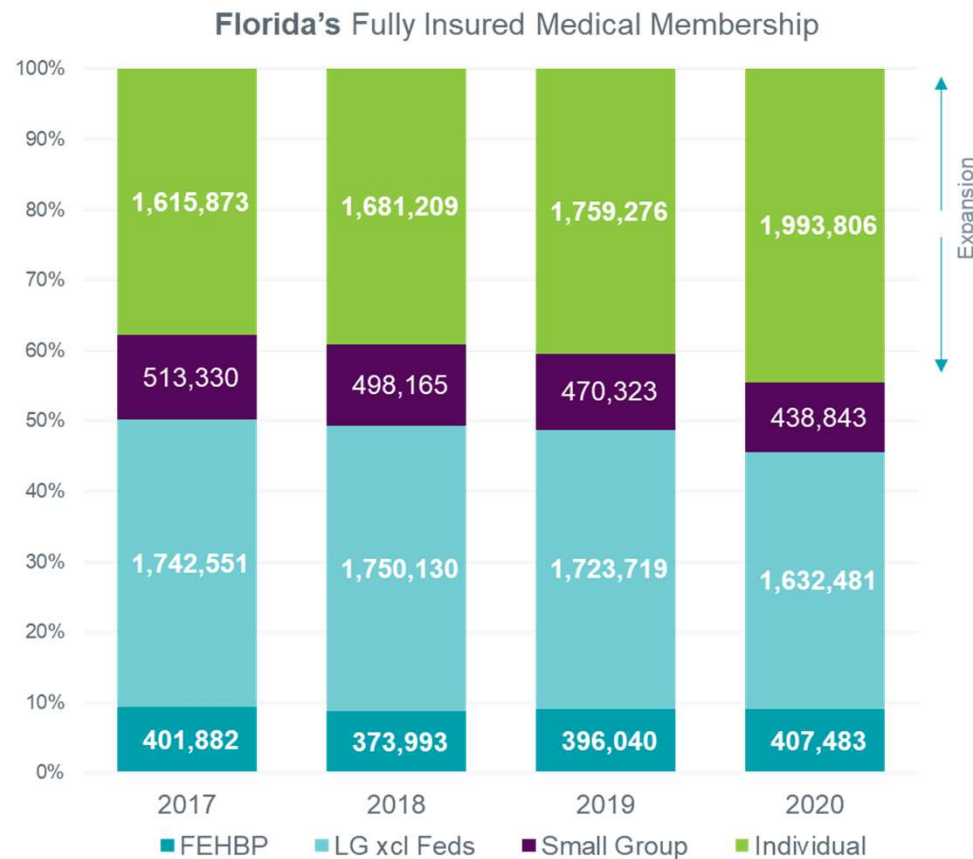
**Self-funding solutions** have been working for over 30 years for companies with fewer than 250 employees; and that trend has been pushed down-market as companies look to improve the health of the company and save money when claim costs go down





## Example: Florida's commercial fully insured market employer group contraction

Florida Totals	4,273,636	4,303,497	4,349,358	4,472,613
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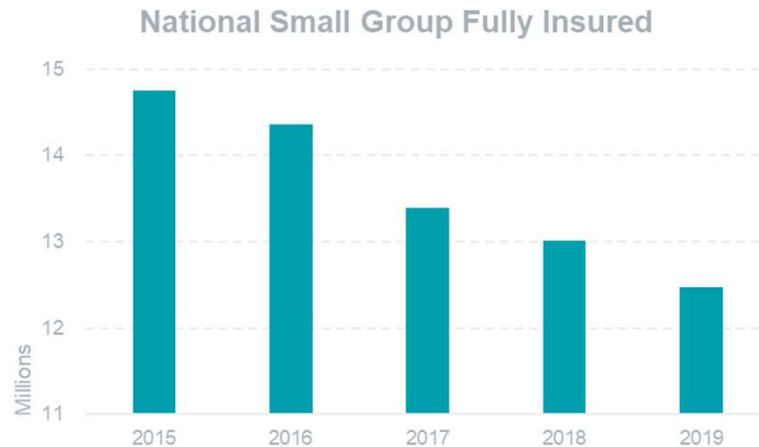
### Versus National Picture

- Small group fully insured membership declined 15% from 2015 to 2019; a market highly sensitive to COVID-19. Historically this has been a profitable market. Recent contraction has been aided by level-funding & ASO conversions, dropped ESI coverage, definitional changes and small employers moving to Association Health Plans
- Large employers (50+ or 100+ ATNE) reported a 2% decline over the period
- While some states like Florida has seen a strong increase in the Individual market, nationally from 2015 to 2019, overall membership nationally declined by 25%

## Small group fully insured head-winds have persisted for years

And for segments such as fully insured small group, where insurers were likely to see the largest profit pools – the pressures were coming from several areas:

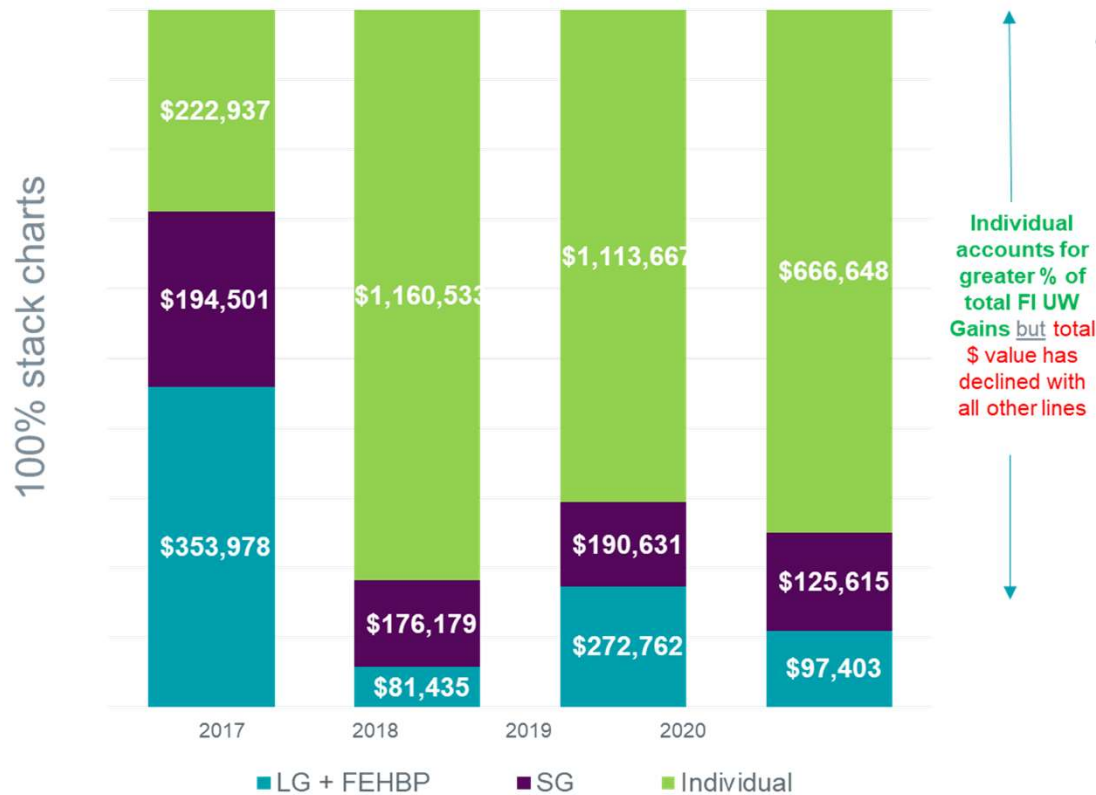
- Self-funded
- Association Health Plans
- Integrated HRAs
- Definitional Changes
- Most recently, operational disablement due to pandemic and related financial pressure



## Despite rebounding SG FI Profit Pools, pressures have returned

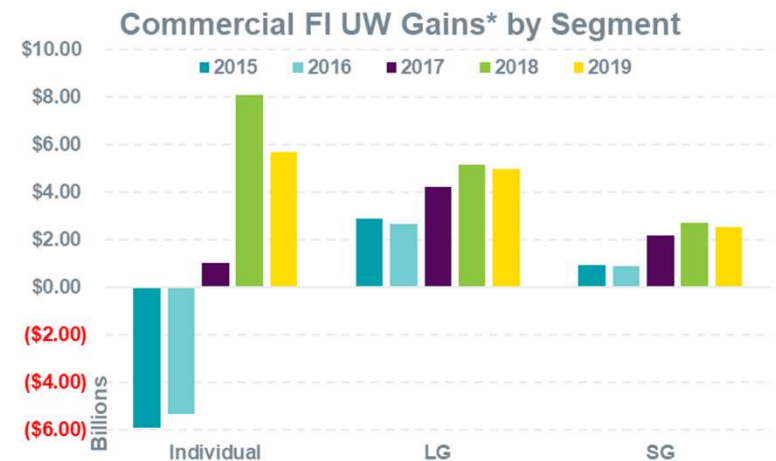
Florida Totals	\$771M	\$1.42B	\$1.58B	\$890M
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FI Profit Pool (UW Gains in \$000)



### National Picture

- Profitability\* declines began to impact all lines in 2019 – early indications of filings suggest continuing pressures into 2021

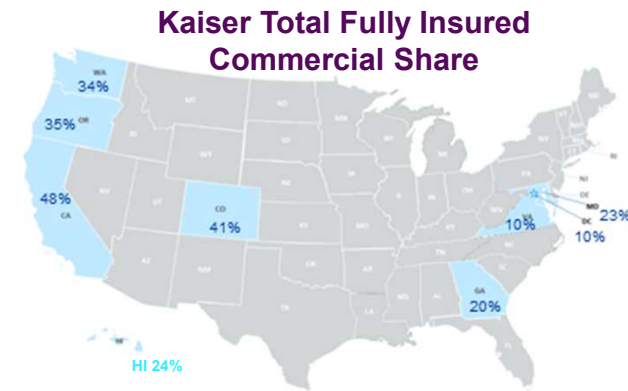
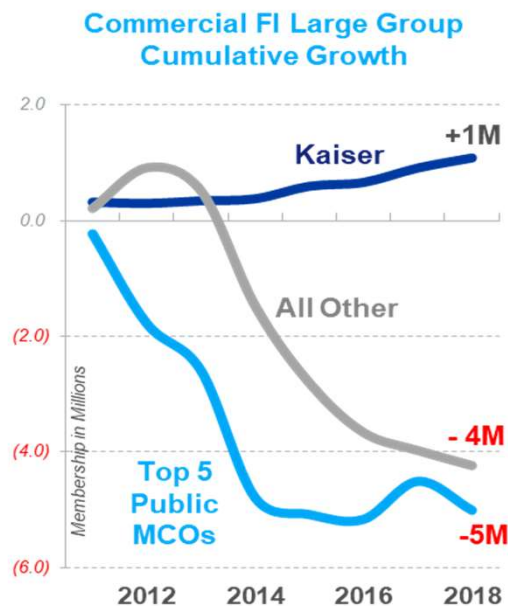


\*Use of reinsurance impacts UW pressure

## While some fully insured competitors such as Kaiser continue to remain relevant

Competitors continue to vie for Kaiser's stronghold of local large group fully insured share – building out Kaiser-style relationships and networks such as Doctors plans, Vivity, Harmony, etc.

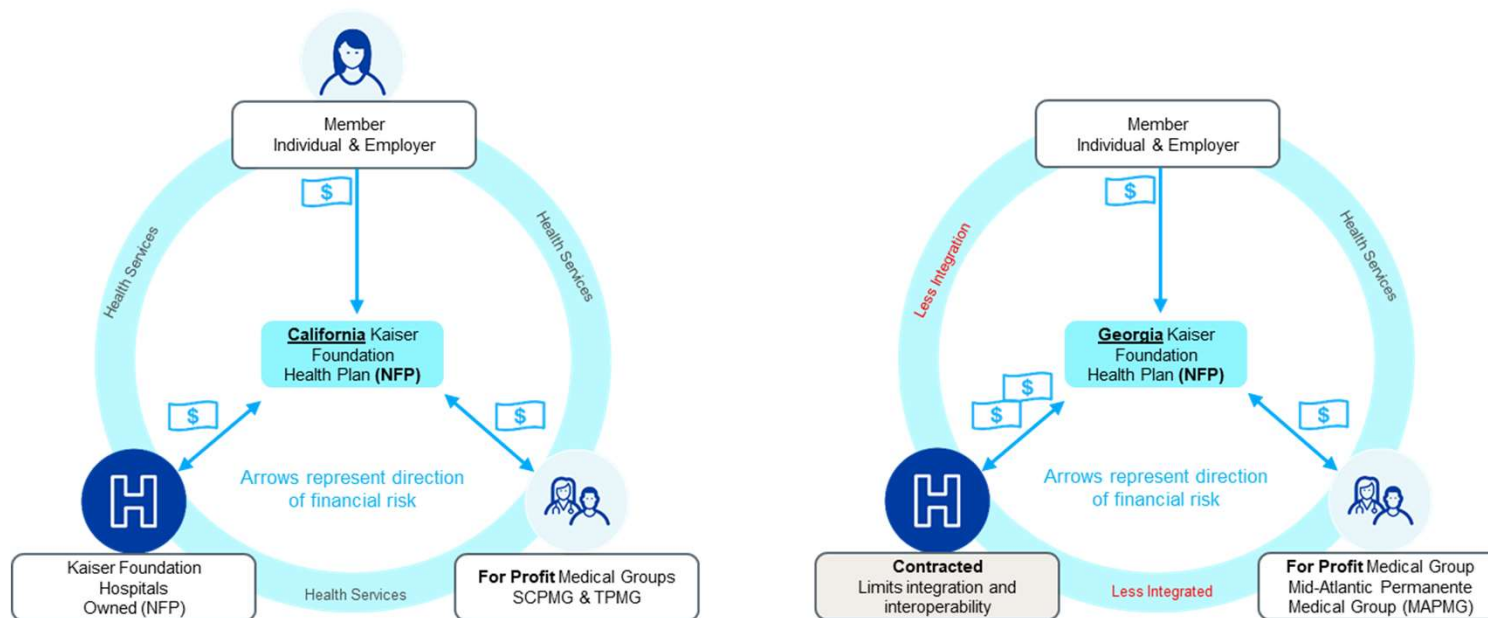
Despite a model that has changed little over time, has limited geographic expanse and remains focused on the local fully insured group market, Kaiser has taken a national lead in fully insured



- Kaiser Health Plans operate in 8 states and D.C. and have **the #1 national share** in:
  - Total Fully Insured: 13%
  - Fully insured large group: 15%
  - Fully insured group: 17%
- Large group accounts for 75% of their commercial FI with an average of ~40% share in their 9 markets.
- They have 2.3M Individual and small group members equally divided; both line added members in 2018.
- CA represents ~70% of their commercial FI.

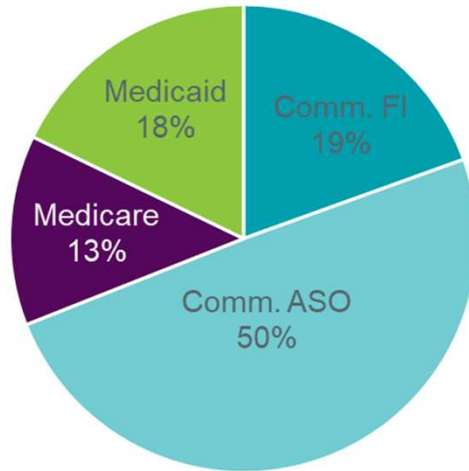
## Yet, Kaiser's model has been difficult to replicate outside of California

*Mission: Kaiser Permanente exists to provide high-quality, affordable health care services and to improve the health of our members and the communities we serve*



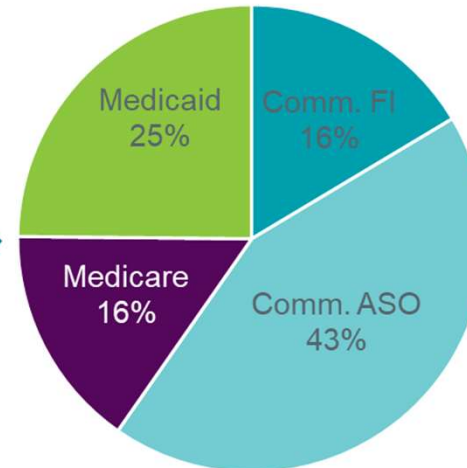
## And now we are witnessing the shift toward Government-Sponsored Business

2017 MCO Medical Membership Mix



n = 129.5M

2021 MCO Medical Membership Mix



n = 148.7M (+15%)

In three years,  
government-based mix  
increased by 10 full  
percentage points



- Since 2017 FI Government revenue increased by 72%, outpacing commercial's 6% growth over the same time
- The 10% change in revenue mix is in-line with change in membership mix as government business now accounts for 76% of the MCO premium revenue compared to 66% in 2017

There has been a seismic shift toward government-based business



## Questions?

*Synthesis of data and company reporting provides benchmarks to support competitive products, pricing and enhancements to services*



Now that the data and research has informed us . . .

- How do we disseminate, develop and support both tactical and strategic goals?
- What other assumptions can we build out?
- How do we see our business changing and how do we respond?